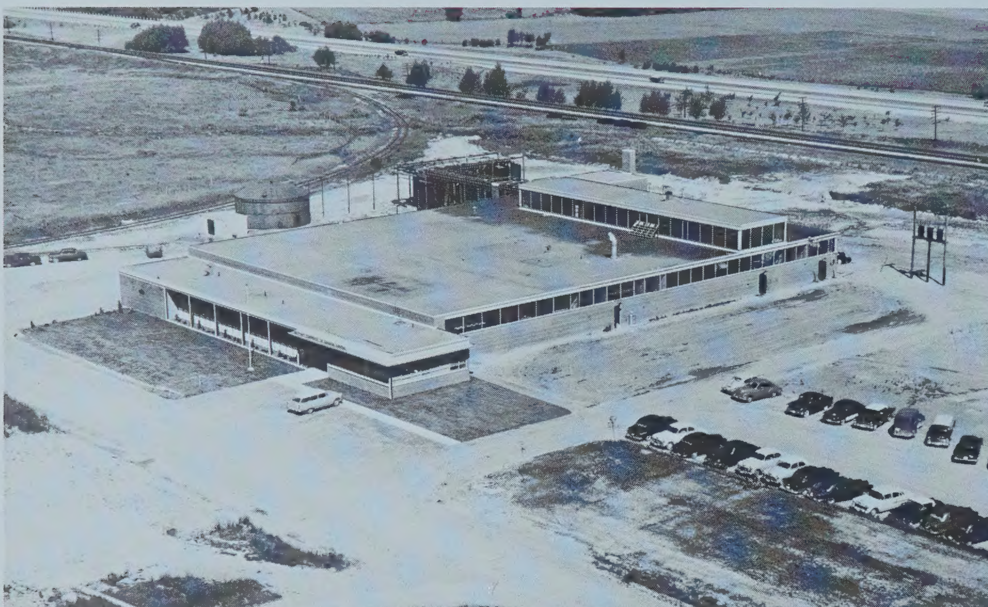
DU PONT OF CANADA

Annual Report 1968

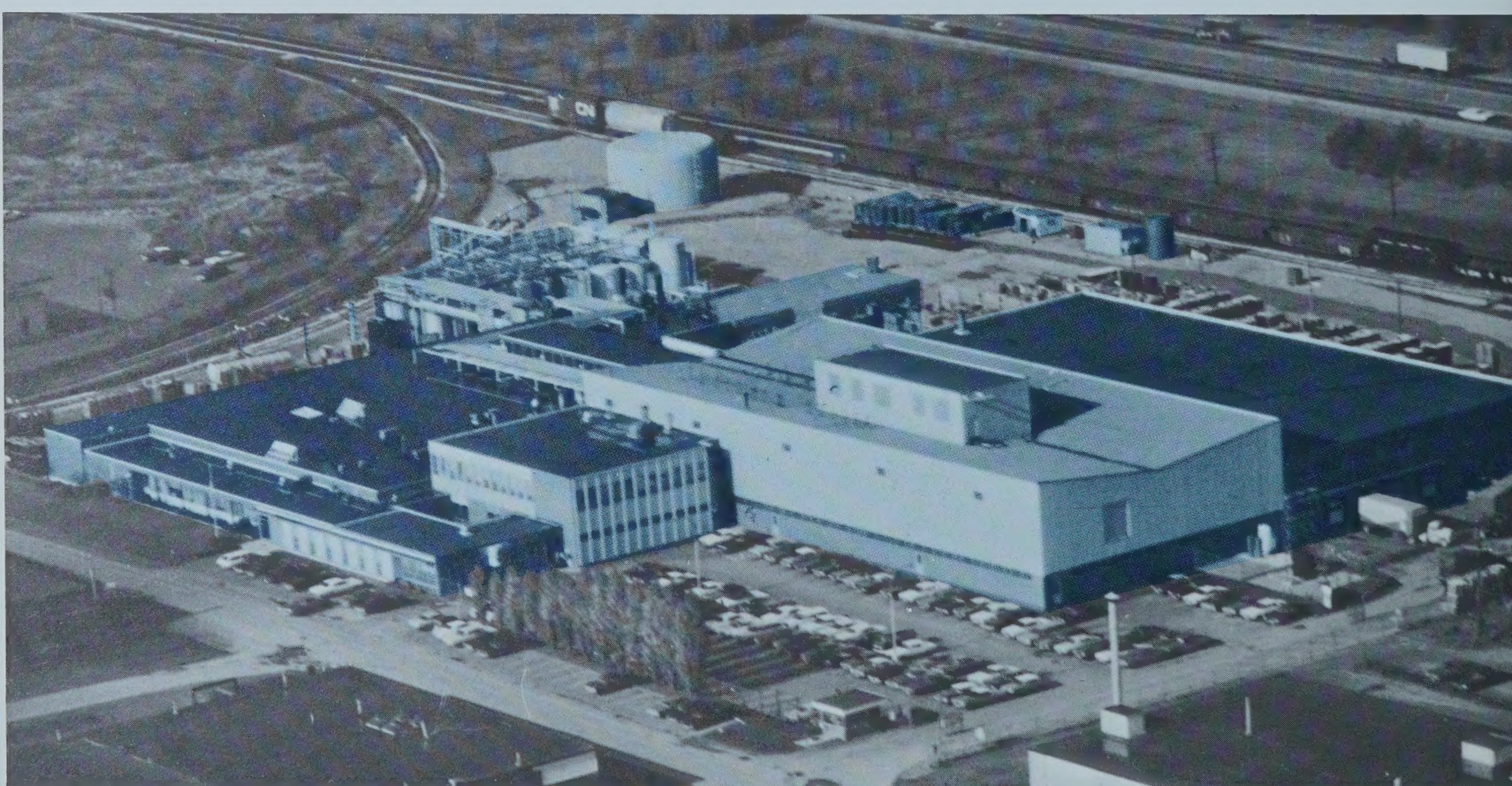
Du Pont, A Growing Company — *Expanding Plants*



AJAX WORKS

Two views, approximately to scale, showing

Left — the original plant in 1956
and
Below — the expanded plant today



58th Annual Report Du Pont of Canada Limited

F. S. Capon

Vice President
Du Pont of Canada Limited
Montreal, Canada.

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Board of Directors

Robert G. Beck
President
Du Pont of Canada Limited

Edgar H. Bleckwell
Executive Vice-President
Du Pont of Canada Limited

Joseph M. Breen
Executive

Frank S. Capon
Vice-President
Du Pont of Canada Limited

David S. Holbrook
Chairman and President
The Algoma Steel Corporation, Limited

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General Manager
Organic Chemicals Department
E.I. du Pont de Nemours & Company

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Chairman of the Board
Du Pont of Canada Limited

R. Russell Pippin
Vice-President and Director
E.I. du Pont de Nemours & Company

Benjamin F. Schlimme
General Manager
International Department
E.I. du Pont de Nemours & Company

Lester S. Sinness
Vice-President and Director
E.I. du Pont de Nemours & Company

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Herbert H. Lank
Chairman of the Board

Robert G. Beck
President

Edgar H. Bleckwell
Executive Vice-President

Frank S. Capon
Vice-President

Herman F. Hoerig
Vice-President

Franklin S. McCarthy
Vice-President

K. M. Place
Treasurer

H. J. Hemens, Q.C.
Secretary

T. S. Morse
Assistant Treasurer

K. H. Scott
Assistant Treasurer

Transfer Agent, Registrar and
Dividend Disbursing Agent

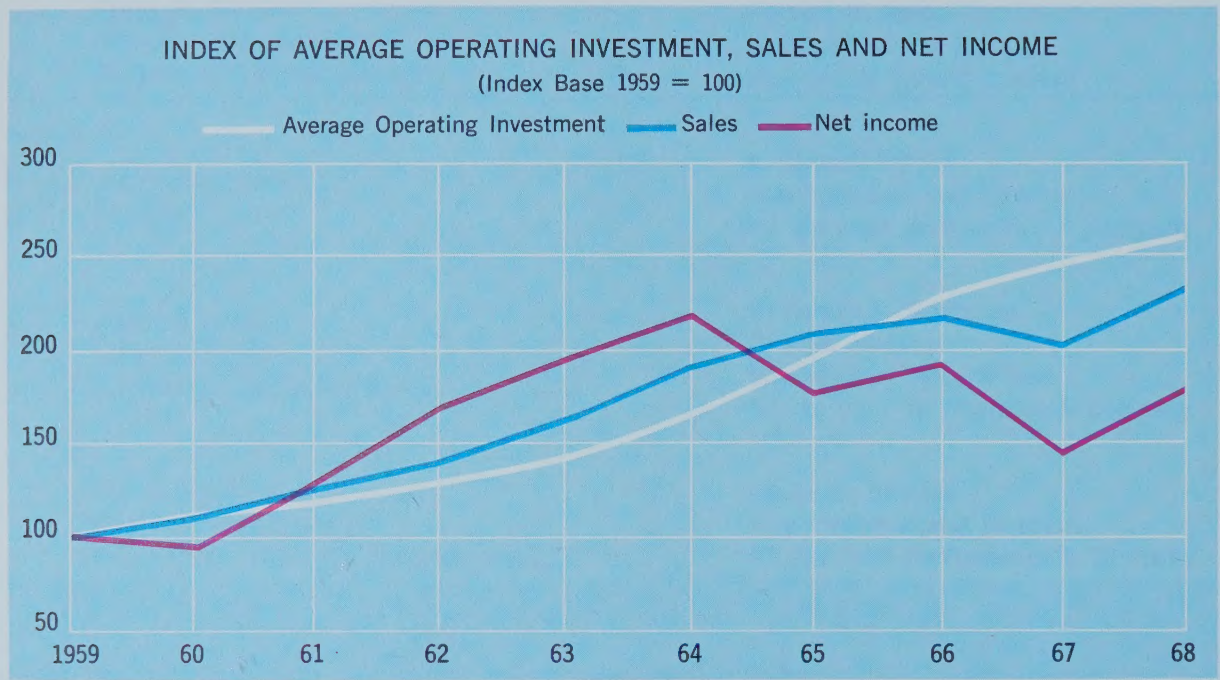
Montreal Trust Company
Montreal, Toronto, Calgary and Vancouver

Nous serons heureux de vous envoyer, sur demande, l'édition française de ce rapport.

Financial Results in Brief

	1968	1967	% Change
	A common share		
Earnings	$1.57	$1.30	
Dividends	1.00	1.00	
	Dollars in thousands		
Sales	$207,721	$182,938	+14
Costs and expenses before provision for depreciation and amortization and taxes on income	168,433	149,149	+13
Provision for depreciation and amortization	15,335	14,562	+ 5
Taxes on income	11,602	9,049	+28
Net income	12,553	10,425	+20
Construction expenditures	11,967	15,790	
Average operating investment	307,869	290,922	
Gross return on average operating investment	4.3%	3.8%	

To the Shareholders

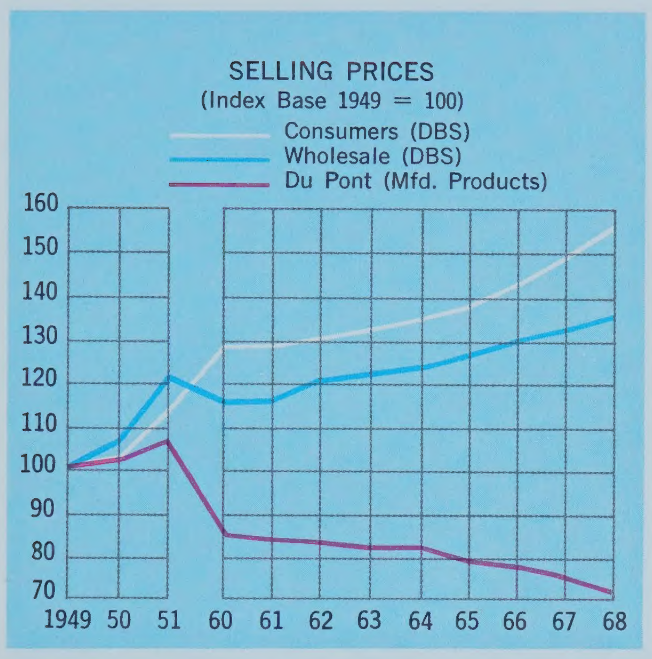


Substantial gains were achieved in both export and domestic sales volumes this year but lower average selling prices, higher taxes, and increased wage and salary rates were offsetting factors. Earnings of $1.57 a common share were up from $1.30 last year, while gross return on average operating investment increased to 4.3% from the low level of 3.8% a year ago.

In 1968, Canada's Gross National Product in real terms improved over the preceding year. Consumer demand remained strong throughout the year and the export trade surplus, which more than doubled that of 1967, exceeded even the most optimistic expectations. However, the benefits of new industrial expansion and the effect of modest productivity gains continued to be eroded by increasing wage costs and raw material price increases. Despite the stated objective of the federal government to exercise spending restraints, expenditures continued to increase at a rate of about 10% per year. Thus, the federal deficit far surpassed forecast and led to further increases in the already heavy tax burden, and also to continued heavy demands on the nation's financial markets. The problem has been compounded by the even faster rate of growth in expenditures by provincial governments and the corresponding increase in the funds being diverted from the private to the public sector.

Financial Review

Sales, Costs and Expenses



Net sales for 1968 at $207,721,000, were 14% over the previous year. Volume gains were achieved in most product lines but corresponding revenue growth was hampered by generally lower average selling prices.

World demand for nylon began to approach capacity during the year and, although increased imports of yarn and fabric and particularly of garments from low wage areas kept Canadian prices depressed, significant increases in shipments to most domestic markets were realized by the Company and advantage was taken of export opportunities for polymer and carpet yarn. Tire yarn sales were affected by strikes in the tire industry and by competition from other fibres. Shipments of acrylic fibre increased, but at much lower prices, despite strong competition from imports.

The domestic market for cellulose film continued to decline as packaging requirements changed and new products were introduced. There has been a corresponding growth in demand for such film as "Mylar" polyester film and "Sclairfilm" polyolefin film. In the latter case, a temporary world overcapacity for low density film resins resulted in sharply lower prices.

Important gains were achieved in petroleum chemicals, "Sclair" polyolefin resins, automotive finishes, and explosives. This year the Company opened explosives sales outlets in Western Canada in order to participate in this expanding market.

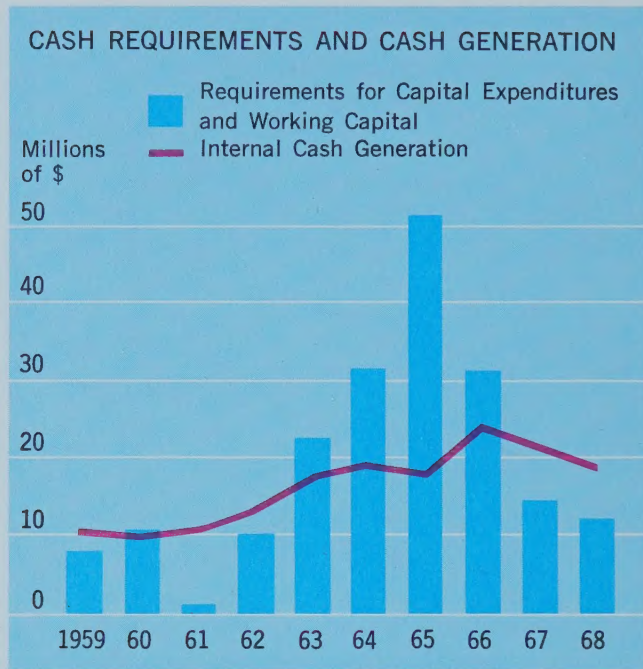
Better yields from improved manufacturing processes and lower prices for raw materials and supplies resulted in reduced variable unit costs. While other costs increased, the higher volume of production resulted in lower total costs per unit. Despite a decrease in the average number of employees, salaries and wages rose and partially counteracted the effects of improved efficiencies. The provision for depreciation was $15,157,000 in 1968, up 4% over 1967.

Financial Charges

Despite the high interest rates which prevailed during 1968, net interest expense of $1,163,000 was $341,000 lower than in 1967 due to the reduced level of borrowings.

The Company continued to claim the maximum capital cost allowance permitted by tax regulation. For the first time, this allowance was less than the provision for depreciation charged against operations. Total income taxes payable, therefore, were higher than the amount shown in the income statement, and the excess, $654,000, was charged against the provision for future taxes established in prior years (Deferred Income Taxes). In addition, an amount of $493,000 relating to the former head office building was allocated to this account as explained in the notes to the financial statements. The accumulated provision for future taxes now stands at $22,506,000.

Financing



The Company's total borrowings at 31st December 1968 were $7,128,000 lower than at the beginning of the year. The sources and uses of cash were:

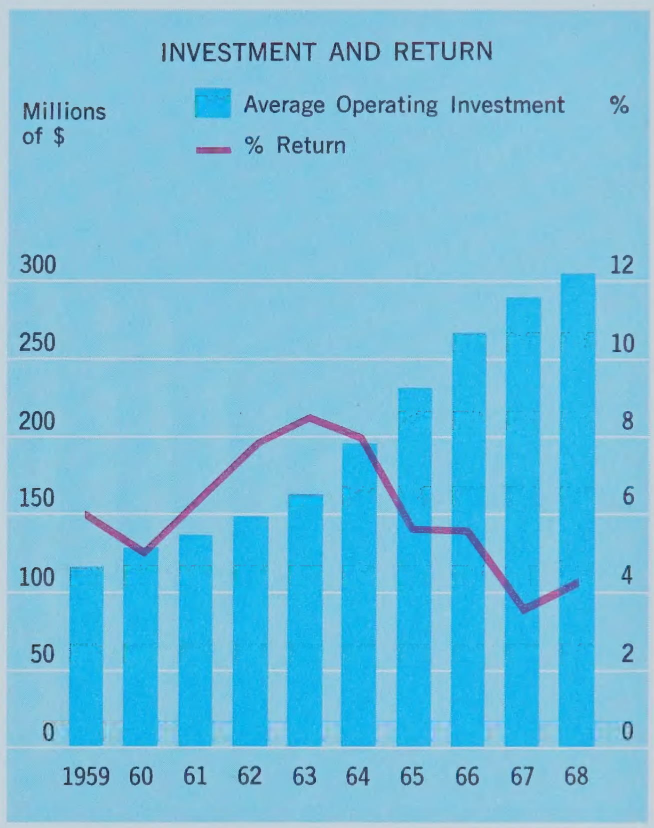
Sources:	
Retained earnings after dividends	$ 4,493,000
Provision for depreciation and amortization	15,335,000
Reduction in net working capital excluding cash and short term indebtedness	1,902,000
Other — net	1,811,000
	$23,541,000
Uses:	
Construction expenditures	$11,967,000
Taxes charged against deferred income taxes	654,000
	$12,621,000
Increase in funds during the year	$10,920,000
Less: Increase in cash during the year	3,792,000
Reduction in debt during the year	$ 7,128,000

Earnings and Dividends

Net income was up 20% from 1967 and earnings a common share were $1.57 compared with $1.30 last year.

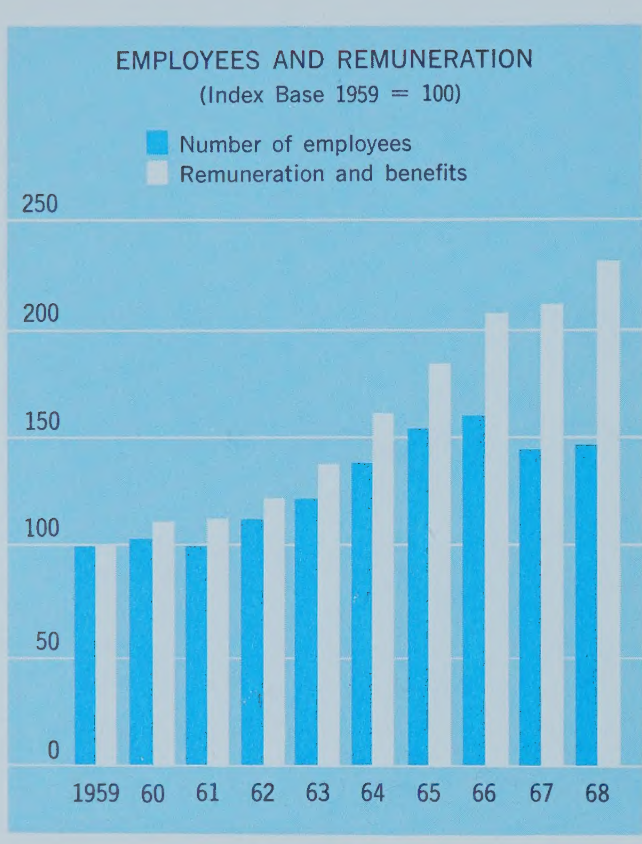
Regular dividends were paid on the 7½% preferred stock and four distributions of 25 cents each were made on the common stock. The total distribution of $1.00 a common share remained unchanged from 1967.

Investment and Return



Average operating investment at $307,869,000 was about 6% higher than last year. Most of the increase represented expenditures on plant and equipment, but current assets were also up. As a result of the higher net earnings this year, gross return on average operating investment increased from 3.8% to 4.3%.

Employees



The improved results recorded in this report reflect the efforts, skills and commitment to the goals of the Company of its employees, who numbered 6,364 at year end. The Board believes that the success of Du Pont of Canada depends on the abilities and dedication of its employees, and the degree to which each employee can realize his or her personal goals of achievement and recognition in pursuit of corporate objectives. An important objective of the Company is to increase the opportunities for employees at all levels to participate in the definition and attainment of business objectives, by such means as increased delegation of authority and accountability, systematic programs of job enrichment, and continued emphasis on innovation and improvement in all aspects of our business. Recognizing the imperative need to keep all skills up to date in a changing environment, a broadened program of financial reimbursement for continuing employee education was introduced during 1968 to assist and encourage employee growth and self-development.

Concern for the individual employee's safety is fundamental to the policies of the Company. A zero record of lost-time injuries is the only acceptable performance goal, and this is an attainable goal as demonstrated in 1968 by 18 of the Company's 20 plants and office locations. The 1968 rate of 0.49 major injuries per million man hours compares with the 1967 rate of 0.55 and the record low of 0.44 attained in 1966. In contrast, the rates for Canadian industry generally and the Canadian chemical industry were 7.22 and 3.55 respectively.

At the end of the year $31,270,000 was held by an independent trustee to pay future pensions under that part of the Pension Plan financed solely by the Company. Employees may also participate voluntarily in a contributory supplementary plan to increase their pensions.

Financial Statements 1968

Du Pont of Canada Limited
and its wholly owned subsidiaries

DU PONT
CANADA

TOUCHE, ROSS, BAILEY & SMART

CHARTERED ACCOUNTANTS

HALIFAX
QUEBEC
MONTREAL
TORONTO
LONDON
REGINA
NORTH BATTLEFORD
EDMONTON

SAINT JOHN
OTTAWA
HAMILTON
WINNIPEG
SASKATOON
CALGARY
VANCOUVER
VICTORIA

ROYAL BANK BUILDING
PLACE VILLE MARIE
MONTREAL 2, CANADA

UNITED STATES OF AMERICA
GREAT BRITAIN
AND OTHER COUNTRIES
THROUGHOUT THE WORLD

CABLE ADDRESS: "TOUCHEROSS"

AUDITORS' REPORT

The Shareholders,
Du Pont of Canada Limited.

We have examined the consolidated balance sheet of Du Pont of Canada Limited and its wholly owned subsidiaries as at 31st December 1968 and the statements of consolidated income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at 31st December 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart.

Chartered Accountants.

Montreal, Que.
18th February 1969.

Statement of Consolidated Source and Use of Funds (Expressed in thousands of dollars)

	Total for period	1968	1967	1966	1965	1964
CASH AT 1st JANUARY	$ 541	$ 1,637	$ 1,260	$ 466	$ 869	$ 541
SOURCE OF FUNDS:						
From operations						
Net income	$ 64,963	$12,553	$10,425	$13,798	$12,538	$15,649
Provision for depreciation and amortization	62,687	15,335	14,562	13,529	10,922	8,339
Deferred income taxes	14,216	(654)	4,553	4,992	2,770	2,555
	141,866	27,234	29,540	32,319	26,230	26,543
Issue of common shares to employees and trustee	2,811	—	—	—	2,153	658
Issue of common shares to public	25,750	—	—	—	25,750	—
Borrowings						
— current obligations	22,450	1,250	—	8,500	—	12,700
— notes maturing more than one year after issue	21,378	—	11,378	—	10,000	—
Disposal of fixed assets	1,483	476	141	—	838	28
	$215,738	$28,960	$41,059	$40,819	$64,971	$39,929
USE OF FUNDS:						
Appropriated for dividends	$ 39,749	$ 8,060	$ 8,060	$ 8,060	$ 8,060	$ 7,509
Expended on plants and properties	118,272	11,967	15,790	22,565	39,650	28,300
Expended for goodwill, patents and processes	2,502	(100)	2,025	—	—	577
Repayment of borrowings						
— current obligations	12,500	—	7,900	—	4,600	—
— notes maturing more than one year after issue	18,378	8,378	10,000	—	—	—
Other	1,890	(1,235)	667	1,406	1,352	(300)
Increase (decrease) in working capital excluding cash and outstanding short-term borrowings	17,559	(1,902)	(3,760)	7,994	11,712	3,515
	$210,850	$25,168	$40,682	$40,025	$65,374	$39,601
Increase (decrease) in cash	$ 4,888	$ 3,792	$ 377	$ 794	$ (403)	$ 328
CASH AT 31st DECEMBER	$ 5,429	$ 5,429	$ 1,637	$ 1,260	$ 466	$ 869

Statement of Consolidated Income

	1968	1967
NET SALES	$207,720,913	$182,938,123
Other income	202,043	246,610
	$207,922,956	$183,184,733
LESS:		
Cost of goods sold and other charges except provision for depreciation and amortization, interest and taxes on income (Note 1)	$167,269,887	$147,644,378
Provision for depreciation and amortization	15,335,315	14,562,385
Interest on borrowed money:		
Current obligations	654,327	699,720
Notes maturing more than one year after issue	508,640	804,474
Taxes on income	11,601,364	9,048,610
	$195,369,533	$172,759,567
NET INCOME FOR THE YEAR	$ 12,553,423	$ 10,425,166

Statement of Consolidated Retained Earnings

	1968	1967
BALANCE AT 1st JANUARY	$ 84,343,829	$ 81,979,336
Add: Net income for the year	12,553,423	10,425,166
	$ 96,897,252	$ 92,404,502
Deduct:		
Dividends declared on —		
Preferred 7½% cumulative stock	$ 174,375	$ 174,375
Common stock ($1.00 a share)	7,886,298	7,886,298
Write off of head office buildings demolished, net of income taxes (Note 2)	491,247	—
	$ 8,551,920	$ 8,060,673
BALANCE AT 31st DECEMBER	$ 88,345,332	$ 84,343,829

Consolidated Balance Sheet

Assets

	31st December 1968	1967
CURRENT ASSETS		
Cash	$ 5,428,598	$ 1,637,351
Accounts receivable	28,736,442	22,378,012
Inventories, valued at the lower of cost and market	27,948,375	27,130,273
Prepaid expenses	1,473,093	1,633,141
	$ 63,586,508	$ 52,778,777
SPECIAL REFUNDABLE TAX	$ —	$ 992,171
INVESTMENT SECURITIES AT COST	296,163	236,363
PLANTS AND PROPERTIES AT COST	248,956,384	241,922,194
LESS: ACCUMULATED DEPRECIATION	121,148,160	109,464,715
	$127,808,224	$132,457,479
GOODWILL, PATENTS AND PROCESSES AT COST LESS AMOUNTS AMORTIZED	$ 4,005,185	$ 4,283,448
	$195,696,080	$190,748,238

Signed on behalf of the Board:

Herbert H. Lank
Joseph M. Breen } Directors

Liabilities

	Shares		31st December 1968	1967
CURRENT LIABILITIES				
Bank indebtedness			$ 3,450,000	$ 2,200,000
Notes payable			9,500,000	14,878,000
Accounts payable and accrued liabilities			8,182,500	9,451,201
Accounts payable to E.I. du Pont de Nemours & Company			9,085,101	6,981,028
Taxes payable			9,747,961	1,664,988
Dividends payable			2,015,169	2,015,169
			$ 41,980,731	$ 37,190,386
NOTES PAYABLE BEYOND ONE YEAR			$ —	$ 3,000,000
PROVISION FOR BONUS AWARDS TO EMPLOYEES PAYABLE OVER FOUR YEARS			1,664,496	1,448,954
LESS: ADVANCES TO TRUSTEE (Note 3)			1,156,823	1,244,275
			$ 507,673	$ 204,679
DEFERRED INCOME TAXES			$ 22,506,000	$ 23,653,000
SHAREHOLDERS' EQUITY				
CAPITAL STOCK:				
Authorized	Shares			
Preferred 7½% cumulative stock (par value $50)	46,500			
Common stock (no par value)	13,500,000			
Issued and fully paid				
Preferred	46,500	$ 2,325,000		
Common	7,886,298	40,031,344		
RETAINED EARNINGS		88,345,332	130,701,676	126,700,173
			$195,696,080	$190,748,238

Notes to Consolidated Financial Statements

1. Included in the charges against income is the total remuneration of directors and senior officers of $817,695 in 1968 ($707,716 in 1967) of which $525,610 ($423,816 in 1967) was paid or payable to directors including those who are officers.

2. The undepreciated cost of head office buildings at the time of their demolition in 1968 was $984,464 which was charged against retained earnings. As this amount will be amortized for income tax purposes over a number of years, an amount of $493,217, representing the ultimate reduction in tax payments, was transferred from deferred income taxes and has been credited to retained earnings.

3. In accordance with the Company policy to acquire common shares for sale to employees under terms of the Bonus Plan, the Company has entered into an agreement with a trustee under which funds are provided for this purpose. At 31st December 1968 there were 30,910 common shares so held (including shares held against awards to be made from the bonus fund for 1968) at an average value of $37 a share with a market price at that date of $36 a share.

4. As at 31st December 1968, there were outstanding scrip-units issued to employees under the Bonus Plan in respect of bonus instalments due on dates shown entitling them to purchase common shares of Du Pont of Canada Limited as follows:

Bonus instalments due	Total scrip-units outstanding	Scrip-units issued to senior officers including those who are directors	Purchase price per share
2nd January 1969	4,186	1,013	$43.50
2nd January 1969	3,451	916	38.50
2nd January 1969	2,502	783	22.00
5th January 1970	3,451	916	38.50
5th January 1970	2,502	783	22.00
4th January 1971	2,502	783	22.00

If any scrip-units are not exercised, the Salary and Bonus Committee establishes an alternative method of delivery for the corresponding bonus instalment. In 1968, payments were made in cash equivalent to the value of the scrip-units not exercised.

5. Accounts receivable and accounts payable in foreign currencies have been converted at the rates of exchange prevailing at 31st December 1968.

6. At 31st December 1968, there remained $15,449,000 to be expended on authorized appropriations for plant construction.

Operating and Financial Record

A Ten-Year Comparison

	[illegible]	[illegible]	[illegible]
OPERATING RESULTS			
Earnings a common share (1)	$1.57	$1.30	$1.73
Dividends a common share	$1.00	$1.00	$1.00
Sales and other income	207,923	183,185	196,705
Costs and expenses before depreciation and amortization, interest and taxes on income	167,270	147,645	155,341
Provision for depreciation and amortization	15,335	14,562	13,529
Interest on borrowed money	1,163	1,504	1,372
Taxes on income	11,602	9,049	12,665
Net income	12,553	10,425	13,798
OPERATING INVESTMENT			
Average operating investment (2)	307,869	290,922	269,100
Gross return on average operating investment (3)	4.3%	3.8%	5.4%
CONSTRUCTION EXPENDITURES	11,967	15,790	22,565
FINANCIAL POSITION			
Total current assets	63,587	52,779	51,991
Total current liabilities	41,981	37,190	42,542
Net working capital	21,606	15,589	9,449
Plants and properties	248,956	241,922	229,800
Other assets less other liabilities	3,794	2,307	2,615
	274,356	259,818	241,864
Accumulated depreciation and deferred income taxes	143,654	133,118	117,528
Shareholders' equity	130,702	126,700	124,336

(1) Based on number of shares outstanding at the end of each year.

(2) Operating investment comprises total assets exclusive of goodwill, patents and processes, and before deducting accumulated depreciation; the average is based on the investment at the beginning of each calendar month.

(3) Based on net income before interest payments.

(Amounts in thousands of dollars except where otherwise noted)

$1.57	$2.11	$1.89	$1.60	$1.20	$0.92	$0.97
$1.00	$1.00	$0.90	$0.80	$0.60	$0.50	$0.50
188,620	172,048	146,162	126,784	112,279	99,906	90,992
151,812	130,692	110,366	95,246	86,048	78,930	69,562
10,922	8,339	7,373	6,704	6,928	6,325	5,917
511	283	—	—	204	449	416
12,837	17,085	14,395	13,025	10,232	7,367	7,928
12,538	15,649	14,028	11,809	8,867	6,835	7,169
233,500	194,000	165,000	149,900	138,900	131,400	118,900
5.5%	8.1%	8.5%	7.9%	6.5%	5.4%	6.2%
39,650	28,300	21,095	11,299	3,585	6,591	10,374
45,483	40,403	31,624	34,330	27,269	22,046	19,223
26,322	37,151	19,515	19,165	15,161	18,539	19,151
19,161	3,252	12,109	15,165	12,108	3,507	72
209,820	172,218	145,030	124,988	114,561	111,723	105,777
(8,783)	(135)	(412)	(38)	511	992	648
220,198	175,335	156,727	140,115	127,180	116,222	106,497
101,600	89,117	79,307	70,505	63,783	57,465	51,058
118,598	86,218	77,420	69,610	63,397	58,757	55,439

The Company has continued to develop new products and new uses for existing products to serve both its customers — large and small — and their customers. Market penetration has been extended by aggressive marketing techniques, including the development of varied and novel uses for the Company's products.

Since nylon was introduced 30 years ago, Du Pont has developed it into a variety of specialized yarns designed for specific uses. The nylon family today includes "Antron" for various types of clothing, "Cantrece" for hosiery, bulked continuous filament for carpets, as well as industrial yarns, tire yarns, staple and tow. Markets served range from beltings for snowmobiles to the daintiest garments for the ladies. "Orlon" acrylic fibre has long been associated with knitwear, but widespread use of pile fabric has been a significant development. The Company's specialized yarns are completed by "Lycra" spandex fibre, a stretch yarn particularly suited for foundation garments.

"Sclair" polyolefin resins continue to find new applications ranging from industrial components to children's toys. A major development has been the entry of the Company into the large diameter pipe field. Wiik & Hoeglund (Canada) Ltd. have contracted to convert "Sclair" resins into pipe of diameters up to 40 inches which is sold by the Company in Canada, the U.S. and the Caribbean. Because of its strength, adaptability, ease of handling and cost advantages, "Sclairpipe" has many advantages over other existing materials.

"Fabrene" woven polyolefin fabric made from oriented polyolefin tape is another development which is achieving wide acceptance. A plant is under construction at North Bay, Ontario with completion scheduled for April 1969. The product has extremely high strength characteristics and is being used as a packaging and protective material.

The Company has developed and successfully marketed new packaging systems for which the equipment as well as the packaging material is supplied. In the dairy industry, the "Pitcher-Pak" system packages milk in quart size disposable bags of "Sclairfilm" polyolefin film which the retail customer uses with a specially designed plastic pitcher. The "Makfil" system automatically makes and fills produce bags of "Vexar" plastic netting.

"Freon" fluorocarbon products have maintained their position in the refrigeration, air conditioning and aerosol fields, and many interesting new outlets are developing in the solvent, food freezing and blowing agent markets.

Du Pont enjoys a leading position in the market for water-gel explosives which are replacing nitro-glycerin based explosives in many applications. Delivery of water-gels in bulk from mobile units, which load the product directly into the drill hole, has gained wide acceptance with large volume consumers. To a significant degree, the advantages of water-gel explosives are now available to smaller operations through the introduction this year of "Pourvex" which is a pourable water-gel explosive packaged in 50 lb. polyethylene bags.

The Company has a pre-eminent position in acrylic lacquer finishes, and a significant portion of the automotive finishes business has been obtained because of the growing demand for this product. At mid year, the consumer paint business was sold permitting concentration on automotive finishes and refinishes, industrial coatings and maintenance paints.

Product Lines

2

1

3

1) "Albone" CG, a new grade of hydrogen peroxide for cosmetics, used mostly in women's hair-colouring toiletries.

2) Du Pont fibres for fashion and comfort. The jacket is nylon, the matching pants stretch nylon and "Lycra", the helmet "Orlon", and the boots have pile of "Orlon".

3) "Sclairpipe" polyolefin pipe in 24" diameter being used for a sewer installation at Haileybury, Ontario.

4) "Pourvex", the first pourable water-gel explosive, being emptied into a hopper and pumped to a blast hole.

5) "Lucite" reflow acrylic lacquer — widely accepted by automobile manufacturers.

6) "Pitcher-Pak" system, in use by dairies for packaging fresh milk in bags of "Sclairfilm".

4

5

6

Du Pont, A Growing Company — *Expanding Research Services*

The Du Pont philosophy of business places great emphasis on research, and the Company each year allocates a substantial amount of money to this essential endeavour. Research has played a prominent role in the development of the Company, expanding the product line, improving the efficiency of operations and extending the uses of our products by our customers. Prior to 1968, programs directed to these objectives were centred primarily in three laboratories located at Kingston and Maitland, Ontario, two of which concentrated on chemical and plastics technology and the third on fibre technology. Recognizing the increasing complexity of customer technology, the Company this year placed into operation a fourth laboratory, the Customer Technical Centre, devoted entirely to product use research. The expansion of such research, made possible by the new facilities, should result in increased market penetration through the solution of specific customer technical and development problems and through improved services and relationships.

The new laboratory was built at a cost of $3,000,000 and employs a staff of over 100. It is equipped with special facilities, ranging from highly sophisticated scientific instruments to semi-works process equipment designed to emulate customer processes. The Centre has four semi-works labs containing a wide variety of commercial packaging, plastics products and textile manufacturing equipment, all of which are available to assist customers in process and product development work.

As the Customer Technical Centre enhances the immediate and long-term prospects of our customers, Du Pont will expand its own opportunities, as well as make an important contribution to Canadian industrial development.

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The Customer Technical Centre — the latest addition to essential research facilities.

1) A view of the exterior.

2) A blow-moulding machine in the semi-works area of the Plastics Department.

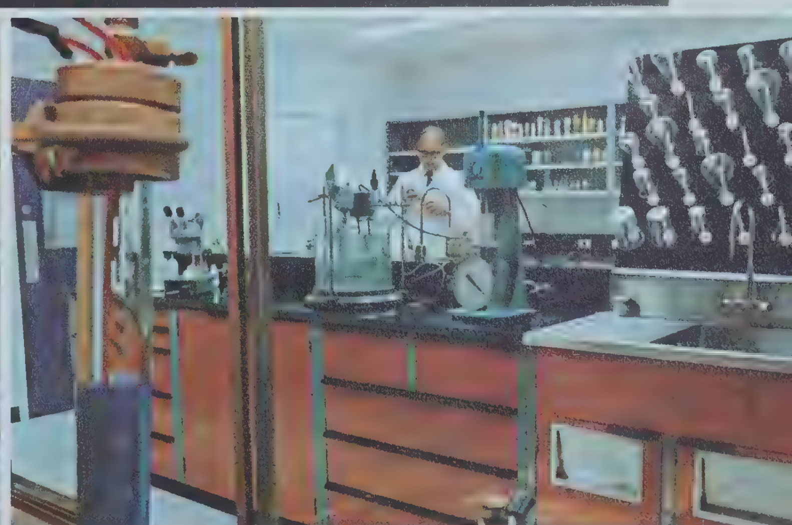
3) A portion of the laboratory of the Films Department.

4) Research on aerosol propellants.

5) The semi-works area of the Fibres Group.

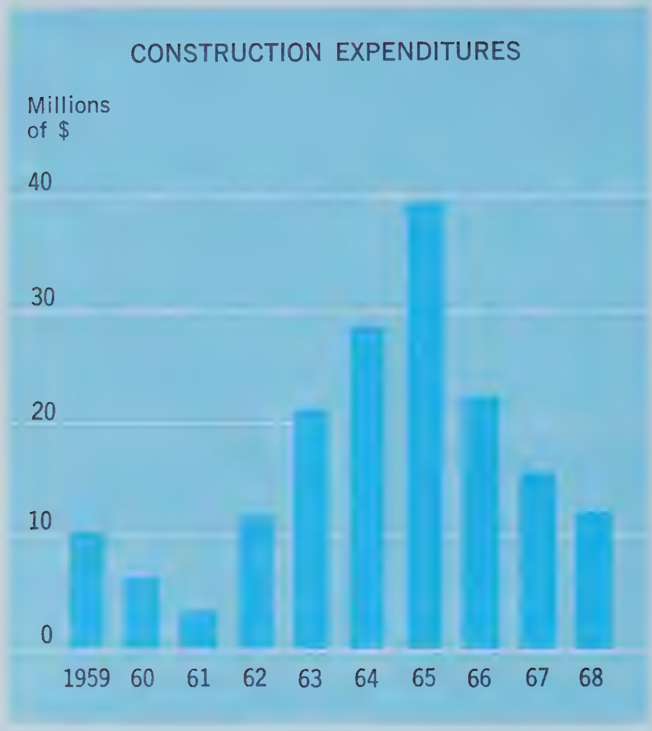
6) A portion of the laboratory of the Chemicals Department.

3



6

Expansion



Construction expenditures this year of $11,967,000 were about 24% lower than in 1967. The expansion of nylon carpet yarn facilities at Kingston, the construction of the "Fabrene" woven polyolefin fabric plant at North Bay, the completion of the Customer Technical Centre and the relocation of the Head Office comprised the largest individual outlays. A substantial portion of total expenditures in 1968 was made on smaller projects designed to improve existing equipment and facilities, or otherwise to increase efficiencies, which contributed to the improved productivity mentioned earlier in this report.

Bonus Plan

For many years the Bonus Plan has been a means by which Du Pont of Canada recognizes and rewards employees who have made outstanding contributions to the Company's success through their ability, initiative and efficiency. In 1968, awards were made to 229 employees, including those officers who are also Directors.

The awards are determined by a committee of Directors who are not eligible for participation under the plan. Each year, the Directors may credit to the bonus fund a portion of the amount by which net income exceeds 6% of the average amount of the issued capital stock, surplus and interest-bearing indebtedness. An initial delivery, either in the form of common stock of the Company or cash, may be accompanied by three scrip-unit certificates, each entitling the beneficiary to acquire a number of common shares for the appropriate subsequent instalment corresponding to the number of shares received, or that would have been received, in the initial delivery and at the same price. The common shares required to meet the bonus deliveries are purchased by a trustee in the market with money from the bonus fund (see note 4 in the financial statements).

Directors

The membership of the Board of Directors was reduced to ten in 1968 with the retirement of two of the Company's long-term members. Mr. Hugh H. Lawson, of Toronto, who had served the Company since 1949, retired in April under the terms of the age limit by-law. Mr. John K. Jenney, of Wilmington, who joined the Board in 1954, resigned as Director on his retirement from E.I. du Pont de Nemours & Company. Both men made outstanding contributions to the Board's deliberations through their broad knowledge of Canadian and world affairs.

Outlook

Company results for the past year showed a gratifying change from the trend that set in several years ago, as general economic conditions improved and benefits were realized from the programs of modernization, product improvement and management realignment. In a world of rapidly developing technology and increasing competitiveness, however, there is no scope for complacency.

Despite abundant resources, Canada, in common with most nations in the medium-sized economic category, faces acute challenges in international trade while at the same time reducing tariff barriers in line with international agreements. High living standards depend in large measure upon the success of our most productive industries, those in which the value-added factor is high. These industries demand the most modern technology and continuing scientific research to maintain their competitive standing, and such demands can only be supported by large organizations. To be economically feasible, operations on this scale must have a substantial base in the domestic market as well as the opportunity and ability to compete in foreign countries. Canada has the resources — the raw materials, the skills and the money or credit — but the country must also pursue those policies which will support and encourage high-productivity industries.

The Company, over the years, has sought to develop the strength and flexibility to operate effectively under any conditions. It is a leader in Canadian research and enjoys the opportunity of being able to draw on its parent Company's research resources. In addition, the Company is on the alert for other methods of broadening its earnings base and improving its profit potential. These factors, together with competent staff, permit the Company to be confident about the future.

Herbert H. Lank

Chairman of the Board

Robert J. Best

President

26th March 1969, Montreal, Canada.

Du Pont, A Growing Company — *Directory*

Chemicals Department

Manufactured:

"Freon" fluorocarbon refrigerants, aerosol propellants and solvents
"Albone" hydrogen peroxide
Hexamethylene diamine and adipic and hydrochloric acids
Antiknock compounds and other petroleum additives

Serving these Markets

Textiles
Chemical
Food
Refrigeration
Petroleum
Mining and forest product industries

Finishes Department

Manufactured:

"Dulux" enamel
"Duco" lacquer
"Lucite" acrylic lacquer
"Teflon" non-stick finishes
"Dulite" fluoropolymer enamels
Automotive lacquers and enamels
Protective coatings for industrial uses
Undercoats and primers
Thinners
Putties

Serving these Markets

Automotive industry
Auto refinish industry
Appliance, cookware and other industrial manufacturers
Industrial maintenance markets

Films Department

Manufactured:

"Cellophane" cellulose film
"Sclairfilm" polyolefin film
Industrial polyethylene films
"Fabrene" polyolefin fabric
Oriented polyolefin tape
"Vexar" plastic netting
Nylon monofilament
"Dura-Flex" binders

Resale:

*"Mylar" polyester film
*"Tedlar" polyvinyl fluoride film
*"Teflon" fluorinated ethylene propylene film
"Dymetrol" nylon strapping
"Stren" nylon monofilament fishing line

Serving these Markets

Packagers of food products
Paper
Tobacco
Textiles
Fertilizer
Asbestos
Toys
Hardware and chemicals
Agricultural
Electrical
Construction and building products industries
Various consumer goods industries

Explosives Department

Manufactured:

Commercial high explosives
Blasting agents
Primers, "Driliners"
Industrial acids

Resale:

"Exprills" (ammonium nitrate prills)
Blasting supplies and accessories

Serving these Markets

Mining
Quarrying and construction

General Products Division

Resale:

Neoprene
*"Nordel", *"Hypalon", *"Adiprene" and *"Viton" elastomers
*"Hylene" organic isocyanates
Rubber chemicals
White and colored pigments
Precious metal preparations
*"Elvax" vinyl resins
*"Elvanol" polyvinyl alcohols
Industrial chemicals
Dyes and auxiliary chemicals
*"Zepel" rain and stain repeller
Seed-treating and weed-killing chemicals
Insecticides
Fungicides
Nitrogen fertilizers
X-ray film
Printing plates and photographic film for the printing industry
Engineering reproduction film
Motion picture film
*"Corfam" poromeric products
*"Reemay" spunbonded polyester
*"Tyvek" spunbonded olefin

Serving these Markets

Rubber
Wire and cable
Paint and printing ink
Textile
Pulp and paper
Graphic arts
Hospitals
Clinics and dentists
Agricultural, chemical and related industries
Shoe manufacturers

*Trade mark of E.I. du Pont de Nemours & Company

Plastics Department

Manufactured:

"Sclair" polyolefin resins
"Zytel" nylon resins
*"Aldyl" A polyethylene pipe for gas
"Sclairpipe" polyolefin pipe

Resale:

*"Alathon" polyethylene resins
*"Alathon" ethylene/vinyl acetate copolymer resins
*"Aldyl" A and B polyethylene pipe fittings
*"Butacite" polyvinyl butyral sheet
*"Crofon" light guides
*"Delrin" acetal resins
*"Lucite" acrylic resins and acrylic monomers
*"Surlyn" A ionomer resins
*"Teflon" fluorocarbon resins, film and heat-shrinkable tubing

Serving these Markets

Plastics industry
Materials handling
Packaging
Piping for engineered systems and gas distribution
Wire and cable industry
Industrial and automotive component industries

Fibres Group

Manufactured:

"Antron" nylon and continuous filament nylon yarns
"Cantrece" bicomponent nylon yarns
Bulked continuous filament nylon yarns
Nylon staple and tow
Nylon tire and industrial yarns
"Orlon" acrylic fibre, staple and tow
"Lycra" spandex fibre

Resale:

*"Nomex" high temperature resistant nylon fibre
"Orlon" bicomponent acrylic fibre, staple and tow
*"Dacron" polyester fibrefill batting

Serving these Markets

Woven and knitted apparel textiles — hosiery, sweaters, outerwear
Elastic fabrics — foundation garments, narrows, stretch garments
Home furnishing textiles — carpets, upholstery, draperies
Industrial textiles — ropes, netting, belting, papermaker's felts
Automotive fabrics — tires, safety belts, floor coverings, upholstery

Development Division

Resale:

Du Pont heat exchangers
*"Detaclad" explosion-bonded clad metals

Serving these Markets

Chemical and chemical process industries
Food and drug
Pulp and paper
Metal treatment
Mining and metallurgical
Nuclear
Naval construction
Electrical contact
Coinage

Sales Offices

ST. JOHN'S, Nfld., Domac Bldg., Logy Bay Rd.
FREDERICTON, N.B., 105 Prospect St.
SEPT ILES, Que., 824 Laure Ave.
STE. FOY, Que., 1090 Rue Louis-Riel
MONTREAL, Que., 555 Dorchester Blvd. West
AJAX, Ont., 408 Fairall St.
TORONTO, Ont., Toronto-Dominion Centre
LONDON, Ont., 200 Queens Ave.
SUDBURY, Ont., 18 Durham Street S.
WINNIPEG, Man., 491 Portage Ave.
CALGARY, Alta., Chinook Professional Building Chinook Shopping Centre
VANCOUVER, B.C. 1111 West Georgia St.

Plants

Saint John, N.B.
Shawinigan, Que.
Maitland, Ont.
Kingston, Ont.
Whitby, Ont.
Ajax, Ont.
Sarnia, Ont.
North Bay, Ont.

Please address inquiries to:

The Secretary,
Du Pont of Canada Limited,
P.O. Box 660,
Montreal 101, Quebec.

CANADA

P.O. Box 660
Montreal 101, Quebec

DU PONT OF CANADA

QUARTERLY REPORT

30th JUNE 1969

To the Shareholders

Sales revenue for the second quarter was 18% above the corresponding 1968 period as sales of almost all Company products continued the strong upward trend that began early last year in both domestic and export markets.

Net operating income for the quarter was 22% above the same period last year as a result of increased sales and lower unit costs associated with higher production levels and improved operating efficiencies.

Earnings a common share for the first half of 1969, including a non-recurring profit on the sale of the assets of Augusta Natural Gas Limited, were $1.24 compared to $0.72 a common share for the first six months of 1968.

During the quarter the Company began manufacturing "Fabrene" polyolefin fabric at the new North Bay plant and approved engineering design and preliminary site work at Morrisburg, Ontario, for a "Dacron" polyester fibre plant which would cost substantially in excess of $20,000,000. The proposed plant would have an initial annual capacity of more than 30,000,000 pounds of continuous filament yarns for use in the textile, tire and industrial markets and employ about 300 persons at start-up in 1971.

S. H. Blackwell

President

Montreal, 31st July 1969

Du Pont of Canada Limited

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Consolidated Financial Results in Brief

(UNAUDITED)

	Three Months Ended 30th June 1969	Three Months Ended 30th June 1968	Six Months Ended 30th June 1969	Six Months Ended 30th June 1968
OPERATING RESULTS	(Thousands of Dollars)			
Net sales	$62,632	$53,245	$114,349	$99,130
Other income	83	53	112	86
	$62,715	$53,298	$114,461	$99,216
Costs and expenses excluding the following	$49,820	$42,381	$ 92,265	$79,973
Provision for depreciation and amortization	3,871	3,764	7,688	7,467
Interest on borrowed money	213	318	346	657
	$53,904	$46,463	$100,299	$88,097
Income before taxes on income	$ 8,811	$ 6,835	$ 14,162	$11,119
Taxes on income	4,573	3,357	7,418	5,327
Net operating income	$ 4,238	$ 3,478	$ 6,744	$ 5,792
Profit on sale of subsidiary company assets	—	—	3,110	—
Total net income	$ 4,238	$ 3,478	$ 9,854	$ 5,792
Earnings a common share	$ 0.53	$ 0.43	$ 1.24	$ 0.72
Dividends a common share	$ 0.25	$ 0.25	$ 0.50	$ 0.50
SOURCE AND USE OF FUNDS				
Cash at beginning of period	$ 2,304	$ 3,307	$ 5,429	$ 1,637
Source of funds:				
Current operations:				
Total net income	$ 4,238	$ 3,478	$ 9,854	$ 5,792
Provision for depreciation and amortization	3,871	3,764	7,688	7,467
Deferred income taxes	(210)	(180)	(489)	(327)
Other	489	776	703	360
Borrowings — current obligations — net	11,055	2,062	7,089	5,433
Disposal of fixed assets	123	28	226	32
	$19,566	$ 9,928	$ 25,071	$18,757
Use of funds:				
Appropriated for dividends	$ 2,015	$ 2,015	$ 4,030	$ 4,030
Expended on plants and properties	4,920	3,855	7,324	5,891
Repayment of notes maturing more than one year after issue	—	1,000	—	2,000
Increase (decrease) in working capital other than cash	12,853	(1,998)	17,064	110
	$19,788	$ 4,872	$ 28,418	$12,031
Increase (decrease) in cash	$ (222)	$ 5,056	$ (3,347)	$ 6,726
Cash at end of period	$ 2,082	$ 8,363	$ 2,082	$ 8,363

DU PONT DU CANADA

RAPPORT TRIMESTRIEL

30 JUIN 1969

Aux actionnaires

Les revenus provenant des ventes du deuxième trimestre ont augmenté de 18% par rapport à la période correspondante de 1968, les ventes de la plupart des produits de la compagnie ayant poursuivi la courbe ascendante marquée entreprise au début de l'année dernière, tant sur le marché intérieur que sur celui des exportations.

Les revenus nets d'exploitation du deuxième trimestre accusent une augmentation de 22% par rapport à la même période l'an dernier, en raison de l'accroissement des ventes et de la baisse des coûts unitaires faisant suite à l'augmentation de la production et à l'amélioration du rendement.

Les bénéfices par action ordinaire pour le premier semestre de 1969, y compris un bénéfice exceptionnel attribuable à la vente de l'actif de la compagnie Augusta Natural Gas Limited, se sont élevés à $1.24, en comparaison de $0.72 par action ordinaire pour le premier semestre de 1968.

La compagnie a entrepris, au cours du trimestre, la fabrication du tissu de polyoléfine "Fabrene" à sa nouvelle usine de North Bay, et a approuvé les plans d'aménagement et les travaux préliminaires de construction, à Morrisburg, Ontario, d'une usine de fibre polyester "Dacron" dont le coût excédera sensiblement la somme de $20,000,000. Au début, la capacité de production annuelle de l'usine projetée s'élèvera à plus de 30,000,000 de livres de fil continu destiné à la fabrication des textiles et des câbles pour pneus, ainsi qu'à des usages industriels. L'usine emploiera environ 300 personnes lors de sa mise en service en 1971.

S. H. Blackwell

Président

Montréal, le 31 juillet 1969

Du Pont du Canada Limitée

Résultats consolidés en résumé

(sous réserve de vérification)

	Trimestre clos le 30 juin		Semestre clos le 30 juin	
	1969	1968	1969	1968
RÉSULTATS D'EXPLOITATION	(en milliers de dollars)			
Ventes nettes	$62,632	$53,245	$114,349	$99,130
Autres revenus	83	53	112	86
	$62,715	$53,298	$114,461	$99,216
Frais et dépenses, à l'exception de ce qui suit	$49,820	$42,381	$ 92,265	$79,973
Provision pour amortissements	3,871	3,764	7,688	7,467
Intérêt sur emprunts	213	318	346	657
	$53,904	$46,463	$100,299	$88,097
Revenu avant déduction des impôts	$ 8,811	$ 6,835	$ 14,162	$11,119
Impôts sur le revenu	4,573	3,357	7,418	5,327
Bénéfices d'exploitation	$ 4,238	$ 3,478	$ 6,744	$ 5,792
Bénéfice résultant de la vente de l'actif d'une filiale	—	—	3,110	—
Bénéfices globaux	$ 4,238	$ 3,478	$ 9,854	$ 5,792
Bénéfices par action ordinaire	$ 0.53	$ 0.43	$ 1.24	$ 0.72
Dividendes par action ordinaire	$ 0.25	$ 0.25	$ 0.50	$ 0.50
PROVENANCE ET EMPLOI DES FONDS				
Encaisse au début de la période	$ 2,304	$ 3,307	$ 5,429	$ 1,637
Provenance des fonds:				
Opérations en cours:				
Bénéfices globaux	$ 4,238	$ 3,478	$ 9,854	$ 5,792
Provision pour amortissements	3,871	3,764	7,688	7,467
Impôts sur le revenu différés	(210)	(180)	(489)	(327)
Autres	489	776	703	360
Emprunts — Obligations en cours — net	11,055	2,062	7,089	5,433
Ventes d'immobilisations	123	28	226	32
	$19,566	$ 9,928	$ 25,071	$18,757
Emploi des fonds:				
Réservés pour dividendes	$ 2,015	$ 2,015	$ 4,030	$ 4,030
Immobilisations	4,920	3,855	7,324	5,891
Remboursement des billets échéant plus d'un an après leur émission	—	1,000	—	2,000
Augmentation (diminution) de points du fonds de roulement autres que l'encaisse	12,853	(1,998)	17,064	110
	$19,788	$ 4,872	$ 28,418	$12,031
Augmentation (diminution) de l'encaisse	$ (222)	$ 5,056	$ (3,347)	$ 6,726
Encaisse à la fin de la période	$ 2,082	$ 8,363	$ 2,082	$ 8,363